

CAPE HENLOPEN SCHOOL DISTRICT
AGREED-UPON PROCEDURES ON CONSTRUCTION PROJECTS
FOR THE YEAR ENDED JUNE 30, 2005

**CAPE HENLOPEN SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Independent Accountant's Report on Applying Agreed-Upon Procedures

Schedule of Construction Projects Inspected - Exhibit A

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dr. George E. Stone
Cape Henlopen School District
1270 Kings Highway
Lewes, Delaware 19958-1758

Subject: Cape Henlopen School District Construction Projects

We have performed the procedures enumerated below, which were agreed to by Cape Henlopen School District; State of Delaware Auditor of Accounts; and the State of Delaware, Department of Education; solely to assist the specified parties with respect to determining the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by their District for the year ended June 30, 2005, included in Exhibit A. Cape Henlopen School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards* [GAS (2003)] issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by the GAS (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine whether the school district complied with any recommendations made in the prior fiscal year's construction project engagement.

The status of the prior year recommendation is as follows:

- 04-01 **FINDING** - During completion of Cape Henlopen School District's construction program and project checklist for the 6-classroom addition, it was noted that the proper bidding procedures under the State of Delaware Budget and Accounting Manual, Section XII.D and 29 Del. C., Section 6962 were not followed. The District did not solicit competitive bids on this project. The District treated this project as an extension of the two middle schools construction project and issued contract change orders on the two middle schools project for the 6-classroom addition project.

Personnel of the Department of Education, School Plant Planning believed this project was exempt from bidding procedures under 29 Del. C., Section 6907. An emergency determination processed under 29 Del. C., Section 6907 (a), which would exempt the District from all bidding requirements of 29 Del. C., Chapter 69, State Procurement, was not found on file at the District.

- 04-01 FINDING (CONTINUED) - A critical need determination processed under 29 Del. C., Section 6907 (b), which would exempt the District from 29 Del. C., Subchapter V, Professional Services, was not found on file at the District. 29 Del. C., Section 6901 defines "professional services" as services that generally require specialized education, training or knowledge and involve intellectual skills, such as engineering and architectural; and defines publicly funded construction as "public works contract". A critical need determination would not exempt the District from 29 Del. C., Subchapter IV, Public Works Contracting provisions, which requires bidding large public works contracts.

RECOMMENDATION - We recommend that procedures be established by the Cape Henlopen School District that ensure that proper bidding procedures are followed according to the guidelines established by the State of Delaware, and that emergency determinations and critical need determinations be retained, when applicable.

CURRENT YEAR STATUS - The District's prior year response indicated this would be implemented in the future, when applicable. The situation did not arise during Fiscal Year 2005.

2. Complete the State of Delaware Auditor of Accounts construction program and project checklists to determine whether the school district's construction project records and files were in compliance and expenditures were made in accordance with the intent of the project scope mandated by the General Assembly, the Department of Education and the Local Board of Education.

Except for the following findings, our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

- 05-01 FINDING - During completion of Cape Henlopen School District's construction program and project checklists for 6-Classroom addition, it was noted that the District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by Delaware Code, Title 29, Section 507(b).

RECOMMENDATION - The District should submit the archival-quality copies to Delaware Public Archives and establish procedures to ensure the copies are submitted upon completion of all projects.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The District will submit the archival-quality copies to Delaware Public Archives."

- 05-02 FINDING - During completion of Cape Henlopen School District's construction program and project checklist for the 6-classroom addition, it was noted that the District failed to notify the Department of Education and the State Budget Director of the start of construction as required by the School Construction Technical Assistance Manual, Section 2.0, 5.1 and the State of Delaware Budget and Accounting Policy Manual, XII,D.3.p.

RECOMMENDATION - Procedures should be established by the Cape Henlopen School District to ensure that proper documentation is maintained and proper notification is given in accordance with the guidelines established by the State of Delaware.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The District will implement procedures to ensure the proper notifications are provided for future projects."

- 05-03 FINDING - During completion of Cape Henlopen School District's construction program and project checklist for the 6-classroom addition, it was noted that the District had not submitted a copy of the electronic autocad files to the Department of Education within thirty calendar days after the completion of the addition as required by the School Construction Technical Assistance Manual, Section 2.0, 5.4.

RECOMMENDATION - Cape Henlopen School District should submit a copy of the electronic autocad files as soon as possible to the Department of Education.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The district will submit a copy of the electronic autocad files to the Department of Education."

- 05-04 FINDING - During completion of Cape Henlopen School District's construction and project checklist for the 6-classroom addition, it was noted that the District failed to notify the Department of Education, the State Budget Director and the Insurance Coverage Office of final completion as required by the School Construction Technical Assistance Manual, Section 2.0, 5.2.

RECOMMENDATION - Cape Henlopen School District should notify the required State agencies of the final completion of this project.

DISTRICT'S PLAN FOR CORRECTIVE ACTION:

"The district will notify the agencies of project completion."

3. Be alert to situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds.

During the completion of the construction program and the project checklists, no fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds were noted.

4. Prepare the school district's Schedule of Construction Projects Inspected for Fiscal Year 2005.

See Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's compliance with criteria from the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Cape Henlopen School District management and Board Members, Department of Education, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, Department of Finance, and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002 (d), this report is a public record and its distribution is not limited.

EXHIBIT A

**CAPE HENLOPEN SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS INSPECTED
FOR THE YEAR ENDED JUNE 30, 2005**

PROJECT NAME	YEAR	ORIGINAL FUNDING AMOUNT	DEAUTH./ FUNDING AMOUNT	TOTAL PROJ. FUND. LIFE TO DATE	EXPENDED CURRENT FY	EXPENDED PRIOR FY	TOTAL PROJ. EXPEND. LIFE TO DATE	TOTAL UNSPENT
Roof renovations	2000	1,400,000	(308)	1,399,692	-	1,399,691	1,399,691	1
Agriculture Program	2000	340,717	(31,280)	309,437	-	309,437	309,437	-
Construct 2 Middle Schools	2001	2,666,700	-	2,666,700	-	2,666,700	2,666,700	-
	2002	8,333,300	-	8,333,300	29,208	8,304,092	8,333,300	-
	2003	9,765,500	-	9,765,500	286,704	9,463,371	9,750,075	15,425
Construct 2 Middle Schools (Market Pressure \$)	2003	3,161,500	720	3,162,220	282,906	2,706,459	2,989,365	172,855
Electrical Renovations	2001	572,000	-	572,000	313,552	42,394	355,946	216,054
Sussex Consortium, Air Conditioning	2004	844,800	-	844,800	701,128	68,487	769,615	75,185
6-Classroom Addition, Rt. 24	2004	133,000	-	133,000	17,139	115,861	133,000	-
	2005	1,180,100	-	1,180,100	1,128,722	-	1,128,722	51,378
TOTALS		\$ 28,397,617	\$ (30,868)	\$ 28,366,749	\$ 2,759,359	\$ 25,076,492	\$ 27,835,851	\$ 530,898

See independent accountant's report on applying agreed-upon procedures.